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How to finance Eastern Enlargement of the EU

The need to reform EU policies and the consequences for the net contributor balance

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Abstract:

This paper analyses the consequences of the planned enlargement on the EU budget for the years 2007 and 2013. It concentrates on the EU's Common Agricultural Policy and Structural Policy and calculates the possible fiscal consequences of enlarging the EU for various policy scenarios. Enlarging the EU could be financed without overstepping the current upper limit for the EU budget, but it increases the pressure for EU policy reform. The main aim of such reforms is to reduce income support in agricultural policy and to concentrate structural policy on needy member states. These reforms would lead to a distribution of net burdens which was more strongly orientated according to the relative income of EU members. The burden for net contributors would remain under control, financial support for needy member states in the present EU would continue and new members would receive equal treatment from expenditure-related programmes.

JEL:

D 78, F 02; H 11, H 87, P 16

Keywords:

Enlargement, EU Budget, reform scenarios

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[1] Contacts: DIW Berlin (German Institute for Economic Research), 14191 Berlin, phone: ++49-30-89 789 679, email: cweise@diw.de. This paper is based on the results of a joint research project between the DIW Berlin, the Institute for Agricultural Economics at the University of Göttingen and the Institut für Europäische Politik (Weise et al, 2002). This especially applies to the estimations used for the agricultural policy costs associated with an enlargement. The estimations for structural policy costs as well as the overall scenarios were revised and updated for this paper. Any errors are the sole responsibility of the author.

1 Introduction

This paper analyses the consequences of the planned enlargement on the EU budget. It concentrates on the EU's Common Agricultural Policy and Structural Policy, on which half and a good third of the EU budget, respectively, are spent. The essential features of both these policy areas have been set up until 2006, when the current financial perspective expires; a conflict on the allocation of funds is expected from 2007 onward. Following their accession, new members will expect to receive an appropriate and fair share of the expenditure from such policies. A considerable financial transfer to the candidate countries is expected due to their low per capita gross domestic product (GDP) and the major importance of agriculture in the region. The actual size of this transfer is however hotly debated. The present net contributors to the EU budget are not prepared to accept the sole financing of this transfer through higher contributions to the budget. At the same time, those member states, regions or occupational groups which at present receive considerable payments from the EU want to hold on to these handouts for as much as possible.

An enlargement of the EU to include 10 new members in 2004 became a realistic option at the latest when the most recent progress report was published by the European Commission.[2] To facilitate enlargement, negotiations should ensure that the accession treaties will be ready to sign by the end of 2002. Negotiations on agriculture, regional policy and the budget, all decisive areas for the future EU spending, have not yet been concluded. Although the European Commission wants to separate the debate on enlargement from that on the next mid-term financial perspective, in other words, from that on reforms of its agricultural and structural policies, connections between the former and the latter do exist.

The discussion on the consequences of enlarging the EU on its expenditure-related policies is often dominated by the expected fiscal consequences or ad-hoc guidelines for financial policy[3]. In contrast, this paper discusses whether there is a need to reform the EU's agricultural and structural policies and, if so, how these reforms should look like (section 2). On this basis, the possible fiscal consequences of enlarging the EU are calculated for various policy scenarios. The methodology is explained in greater detail in Section 3. Section 4 gives an overview of the results from the calculations, and conclusions are drawn in section 5.

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[2] European Commission (2001a).

[3] Lobbyists for net receiving countries and the European Commission, e.g., stress that a solid structural policy requires an investment of at least 0.46% of the EU's GDP. Those representing net contributors concentrate on the agreement that the total EU budget should to exceed 1.27% of the EU's GDP under any circumstances.

The future organisation of expenditure-related EU policies might very well be considered to be "political dynamite". However, the discussion on EU enlargement should not be limited to its cost aspects - and this is not only because of its general political and historical dimensions. The issue of, e.g., the necessary reform of the EU's decision making mechanism, as attempted in the Nice Treaty, has already been discussed from an economic point of view.[4] The economic effects of enlargement - expected to be positive - and their consequences on national budgets should also be taken into account.[5] Academic studies on this topic have found little corroboration for popular fears (ruinous competition from imports, "swarms" of immigrants).

2 Enlargement and the debate on reform

Many aspects of the EU's agricultural and structural policies are frequently criticised. This section describes the areas criticised that are either of considerable financial importance or which will become increasingly important - or indeed first result - during the course of enlargement.

2.1 Common Agricultural Policy

The agricultural sector is of considerably greater importance in the candidate countries than in the EU-15. In 2000, 21.6% of the labour force in the candidate countries were employed in agriculture – although a considerable proportion was accounted for by small holders in the subsistence economy - compared to only 4.3% in the EU.[6] Even though the agricultural sector's contribution to gross value-added is markedly lower than its corresponding share in total employment in Central and Eastern Europe, it remains of particular interest to see how the regulations in the Common Agricultural Policy (CAP) will be applied to new members following their accession to the EU.[7]

The central issue in the debate on agricultural policy and enlargement is how direct income support payments will be handled in the future. Since the MacSharry Reforms in 1992, this instrument has gained an important role in the CAP. These payments were introduced as compensation for the withdrawal of price support payments, which were the most predomi-

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[4] See Baldwin et al. (2000), Jopp et al. (2001), Lippert/Bode (2001), Siebert (2002).

[5] See Baldwin (1994), Faini/Portes (1995), Baldwin et al. (1997), Weise et al. (1997), Breuss (1999), Boeri/Brücker et al. (2000), Brücker et al. (2000), Kohler (2000) as well as diverse country studies commissioned by the European Commission (2002a).

[6] See European Commission (2002b).

[7] See Tangermann/Banse (2000).

nate instrument up until that point.[8] The EU uses this reasoning to justify its present position (Agenda 2000) not to extend these payments to new members.[9] A permanent unequal treatment of farmers in the old and new member states would however come up against the prohibition of discrimination in the EC treaty (Art 12 EC-Treaty) and distort competition considerably, favouring the farmers in the present EU. This is also one reason for the EU's most recent suggestions for financing the proposed enlargement including a gradual introduction of direct payments for the new members. A reform of these instruments or perspectives beyond the year 2006 are however not outlined at all.[10] If the criticism of direct payments, which is independent of the enlargement issue, is also taken into account, there seem to be three options open to the future CAP:

- <u>No changes to the direct payments:</u> these payments would then also have to be extended to the new members of the EU to ensure that all members receive equal treatment. This solution would be the most expensive one for the EU budget. It would also have serious administrative and distribution problems attached to it. Direct payments would be problematic even without the proposed enlargement, because supporting the income of a particular occupational group is not part of the state's mandate in a market economy, and because certain aspects of this instrument's organisation causes problems with the World Trade Organisation (WTO). Following the adoption of the CAP in the new member states, a rise in food prices is to be expected. If farmers, favoured by this price rise, were to receive direct income support payments on top of this, this would create social inequality in the new member states.
- <u>National cofinancing of direct payments:</u> One current problem associated with direct payments is that they are completely paid for out of the EU budget. Usually –for example with transfers from the structural funds – 25 to 50% of the costs of such a measure are funded using national cofinancing. Without this national contribution, member states with a larger than average agricultural sector do not have any incentive to accept a less expensive CAP. One reform option would be to introduce cofinancing, which would have the inevitable and desirable effect of burdening the individual member states' budgets, including those of the new members.

[8] In 1999, these new income support payments accounted for half of the expenditure from the Guarantee section of the CAP and a further 30% was accounted for by already existing price compensation payments (Weise et al. 2002).

[9] However, EU farmers who are new entrants to the market do at present receive direct income support payments.

[10] European Commission (2002c).

- Dismantling direct payments: Dismantling these payments in a gradual way could take up to several years. During this transitional period, new members would receive at least a proportion of the transfers they would be entitled to under the equal treatment directive. These funds should not flow directly to farmers as direct income support payments, but could instead, for example, help regional development in rural areas. This solution would reduce or even eradicate the distribution problems between new and old members and would defuse any potential conflict with the WTO. Present receiving countries would all be negatively affected.

2.2 EU Structural Policy

Following enlargement, considerable structural policy transfers from the EU budget in favour of the accession countries are to be expected, due to the considerable development problems they face.[11] These problems are clearly reflected in their very low per capita GDP with purchasing power parity (38.5% of the EU-15 per capita GDP in 1999). The EU uses its structural funds to support the development of relatively less competitive regions (defined as having a per capita GDP of less than 75% of the EU average; this "Objective 1" accounts for two-thirds of the funds). It also supports wealthier regions facing development problems due to structural change (Objective 2, roughly 10% of funds) and labour market policy targets without regional focus (Objective 3, 13%). The remaining resources from the structural funds are accounted for by 'community initiatives'. The cohesion fund, which helps relatively poor member states, is also included in structural policy.

In practice, the funds are overwhelmingly seen as a distributive instrument that can also be used as a trouble shooter in integration-related policy. Structural policy offers more flexibility than agricultural policy: by means of the introduction of specialised supportive economic instruments and of flexibility in defining selection criteria for financial support as well as in specifying the depth of financial support. This has led to the funds being used in a wider area. Many individual instruments and regulations are criticised for not being very consistent or for being hard to justify. For many elements of this policy the necessity for such measures at a community level is not very convincing. This problem will deteriorate even further following enlargement, as more countries will become involved in negotiations.[12]

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[11] See Weise et al. (2001).

[12] For an overview of reform concepts and a discussion of these problems, see Axt (1997) and (2002), Begg et al. (1995), Donges et al. (1998), Ederveen et al. (2002), Heinemann (1998), IBO (2001), Schrumpf/Budde (2001), Stehn (1998), Tondl (2001) and Weise (2002). The commission's view can be found in, for example, European Commission (2001b) and (2002d).

From an economic standpoint, the structural funds might also be understood as an allocation policy instrument, as long as, in practice, they aim to help relatively less competitive EU member states benefit from the advantages of being more closely integrated in the EU. The narrowing of financial capabilities of the regions or of per capita incomes is only an indirect objective of this EU policy. There are two principal-agent-problems involved. First, the net-payers cannot directly control the adequate use of the transfers. Today, they have mainly to rely on the Commission to ensure a sensible implementation of structural funds. However, the Commission has its own interests that are not necessarily consistent with an efficient use of the transfers. Second, the EU's central institution too cannot fully control implementation and faces a principal-agent-problem itself: it cannot implement the desired policy itself (and should not be given the mandate to do so either), but can also not depend on the receiving country using the corresponding financial resources to achieve the desired policy aim because these countries do also pursue other objectives like, e.g., distributional goals. This problem would also worsen following enlargement due to the increased number of receiving countries and, in particular, owing to the regional administrative structures in the candidate countries, which are weak and still partly under construction. The following measures would help defuse this problem and adapt the incentive structures to favour contributing countries instead of receiving countries: a higher degree of national cofinancing; a more predominant use of loans instead of grants; more intensive controls with effective sanctions; placing conditions on financial support, i.e. linking financial transfers to growth promoting economic policy being implemented in the receiving country.[13] These measures will most likely have an indirect influence on the budget, but they cannot be individually examined here.

Concentrating more strongly on supporting those recipients who are not in a position to help themselves would also ensure a more sensible application of structural policy. This could be achieved in two ways:

- <u>Stronger concentration on regions covered by Objective 1:</u> although the support gathered under the heading "Objective 1 is the most convincing element of current European structural policy, its conception and implementation still creates serious problems – these however cannot be discussed in greater detail here. One reform option would be to concentrate more strongly on measures in this area. The scrapping of "Other" support is unlikely due to political reasons. This area could still be reformed in allowing receiving

[13] See Weise (2002).

countries to have a bigger influence on how they use their financial resources than is currently the case.

- Stronger concentration on relatively less competitive member states: This would give greater validity to the principle of subsidiarity. According to Art 5 EC-Treaty, the scope for support at the EU level is limited, so that the EU only steps in when a member state is not in a position to help itself. Thus structural policy financial transfers made to member states with at least an average per capita level of GDP for the EU cannot be aligned with the principle of subsidiarity, as these countries are as equally financially able to support their problem regions as is the EU. At the moment however, member states with a per capita GDP clearly below that of the EU average receive only 45% of the available financial resources (Spain, Portugal, Greece). This approach fundamentally changes the selection criteria used to identify the area worthy of support. It does not involve structural policy being re-nationalised.

However the political debate has instead begun to encourage a softening of the selection criteria. The position of a region's per capita GDP in relation to the EU average is decisive in deciding how a considerable part of funds are allocated by current support policy (Objective 1). As a consequence of enlargement, GDP per capita in the EU will sink, as only relatively poor states will join.[14] Thus the income position of all current EU regions will improve relative to the EU average, even if no absolute change in value takes place: many regions covered by Objective 1 face the threat of loosing their support. The EU can react to this "statistical effect" in not changing the selection criteria and in allocating phasing out payments to those regions which no longer qualify for support under Objective 1. Current receiving countries argue on the other hand that this statistical effect – a changed relative per capita GDP – should not affect the financial support they receive because their GDP per capita does not change in absolute terms. Their argument is hard to align with the EU treaty, as structural policy's aim is to reduce the discrepancies in levels of development (Art 158 EC-Treaty) and so it is the change in relative GDP per capita that should be the central criterion. However a softening of the selection criteria cannot be ruled out. The higher the current threshold (per capita GDP in PPP of under 75% EU average) for qualification under Objective 1 is raised, the more likely it is that the current receiving countries can ensure they continue to receive financial support in an

[14] According to our calculations the EU-25 will have a GDP per capita in PPP of 91% of the EU-15 average in the year 2002 and this will sink to 86% in an EU-27.

enlarged EU. Though this would go against one of the most fundamental rules for structural support: concentrating resources on the needy.

3 Scenarios for the EU budget 2007 and 2013: methodology

3.1 Foundations and Data

The aim of the following budget scenarios is to forge the first link between the debate on the content of agricultural and structural policy reform and the political arguments about the size, sharing out and financing of the EU budget. Simplifying or possibly unrealistic assumptions have to be made. There is also added uncertainty owing to the poor quality of some data (for example regional per capita GDP in PPP). The scenarios' results should therefore not be taken as forecasts, but seen as indications of how the reform options discussed in the previous section would affect the financial scale and trends.[15]

The scenario "status quo EU-15" is included as a control. In this scenario neither an enlargement nor any reform takes place. This scenario allows us to separate the consequences of enlargement from the developments that would still happen if enlargement did not take place. The other scenarios all assume enlarging the EU to include 10 new members in the year 2005.[16] In the EU-27 scenarios, Romania and Bulgaria enter the EU in 2007; in the EU-25 scenarios this does not take place for the foreseeable future. Three scenarios for agricultural and structural policy are calculated for both the EU-25 and the EU-27: "Status quo", "moderate reform" and "substantial reform". Additionally, a moderate reform of structural policy is combined with a substantial reform of the CAP in the overall scenarios, so that there are 9 overall scenarios in total.

The scenarios are based on a modelling of the current regulations for the allocation of structural and agricultural funds. Only a few central parameters are changed in the reform scenarios in order to retain the transparency of the impact of individual measures. The results are calculated for the first and the last (expected) year of the next mid term financial perspective, 2007 and 2013. This should among other things make it clear what effects the gradual phasing out of structural fund support (and partly agricultural support) and a gradual introduction of new members would have.

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[15] Due to space limitations, the methodology cannot be fully described and defended here, see Weise et al. (2002).

[16] Poland, Hungary, Czech Republic, Slovak Republic, Slovenia, Estonia, Latvia, Lithuania, Cyprus and Malta.

Data from Eurostat is used as far as possible. All financial figures are expressed in 1999 prices; where necessary, an inflation rate of 2% is assumed. Long term UN estimates are used for population growth; it was not possible to take intra- and international migration into account. A long term growth of 2% per annum is assumed for EU GDP, which is some what more cautious than the rate of 2.5% used in Agenda 2000. The convergence of the accession countries' GDP in PPP towards the level found in the EU-15 is estimated on the basis of the long term convergence of European market economies between 1950 and 1990. Intra-national convergence could not be taken into account.

3.2 Common Agricultural Policy

The calculation of budget items for future agricultural policy is based on the European Simulation Model (ESIM).[17] This model contains supply and demand functions for the most important agricultural products in the EU and allows a differentiated effects analysis to be made of the EU's main agriculture policy instruments in the context of an enlargement involving the candidate countries in Central and Eastern Europe (analogous calculations are not possible for Cyprus and Malta).

In the individual agricultural partial scenarios it is assumed that:

- A fundamental reform of the CAP does not take place ("status quo"). The direct income support payments are also extended to new members following enlargement.
- Direct income support payments are kept, although half of the cost has to be financed by the member states themselves ("moderate reform").
- Direct payments are gradually reduced to zero ("substantial reform"). These payments sink by 8 percentage points per annum from 2005 onwards and reach zero in 2017. The new members receive payments which are half the level of those they would have received under full direct payments. They can decide themselves how to spend the money, as long as this does not have any competition distorting effects. These payments are gradually reduced to zero between 2011 and 2017.

[17] The Institute for Agricultural Economics at the University of Göttingen participated in the development of this model and extended it, see Josling et al (1998) and Münch (2000). The results from the Göttingen based institute derived in Weise et al. (2002) are also used here.

3.3 EU Structural Policy

Structural policy was split into "Objective 1", "Other", "Phasing out Objective 1", "Phasing out Other" and cohesion funds for the scenario calculations. The calculations then essentially followed the following principles and steps:

- Our convergence assumptions are first used to determine the relative per capita GDP the regions will have in the year 2002. This year, or the time period between 2001 and 2003, will be decisive for identifying future assisted regions. It should be made clear that a level of uncertainty cannot be avoided; this is partly due to the fundamental uncertainty in the convergence estimations and partly to the poor quality of data for regional per capita GDP in PPP.[18]
- The amount of per capita support for the regions covered by Objective 1 for a given member state is higher , the lower its national per capita GDP is. The relation between both values is the same as can be calculated for the current support period.
- The remainder of the structural funds is collected under "Other". Apart from Objective 1, the allocation of funds seems to be markedly more affected by political guidelines ("something for everyone"), than clearly recognisable quantitative rules. A detailed estimation would fail anyway owing to data problems. The relationship between Objective 1 and "Other" is held constant in the status quo scenario to reflect the basic aim of concentrating financial resources on the poorest countries. All changes to the total size of Objective 1 therefore have an effect on the size of "Other". The total sum for "Other" is distributed among member states in the same way as in the current support period.
- There is an adjustment phase for regions who loose their Objective 1 status, in which the funding gradually slows down to a trickle and then stops. As is presently the case, it is assumed that the support is the higher, the poorer the member state concerned is. The support sinks evenly and will have been reduced to zero by 2013.
- In addition to the procedure in Weise et al. (2002) the phasing out of "Other" is calculated analogously here.

[18] For example, according to the data and estimations used here several eastern German regions would be just outside the qualification criteria for Objective 1 in an EU-25. Eurostat introduced a new method to determine the regional per capita GDP in PPP for 1999; it leads for example to pronounced shifts in the results for Portugal. This explains some of the differences of the results presented here compared to Weise et al. (2002).

- The cohesion funds keep the same amount of resources and the same qualification criteria for support.
- According to currently applicable rules structural policy support for a member state may not exceed 4% of its GDP. This is measured using nominal GDP.[19] This results in a partial reduction of the financial support for most new member states that is in some cases substantial. According to our scenarios, the member states of the EU-15 receive a maximum of 2 - 2.5% of their GDP (Portugal and Greece in 2007), although most receive markedly less than one per cent.
- According to the plans in Agenda 2000, the support new member states receive from the structural funds will gradual increase to the full level. Here they receive 20% in their first year of membership and 40% in their second etc.

For the individual structural policy partial scenarios it is assumed that:

- No fundamental change takes place in the allocation rules ("status quo"). This scenario includes the consequences of the statistical effect as explained in section 2; this means present EU members loose a considerable amount of support, particularly in an EU-27.
- The financial resources in present EU member states will be more strongly concentrated on Objective 1. At present, Objective 1 makes up about two-thirds of the funding, in the "moderate reform" this increases to 90%. It is also assumed in the scenario for the EU-27 that the qualification threshold for regions covered by Objective 1 will be raised from 75% to 80% of the EU's average GDP to partially neutralise the statistical effect.
- In future the funds will be concentrated on the poorest member states ("substantial reform"). The threshold for support is copied from the one for present cohesion funds (a GDP in PPP of less than 90% of the EU average), even though a stronger concentration is conceivable from an economic standpoint.[20]

[19] This is a relevant point of reference as it was used in the calculations for Agenda 2000. The use of GDP in PPP is also difficult to justify, as the transfers are paid in Euro.

[20] When using the same level of per capita support as in the scenarios with regional orientation, those member states that retain support now receive relatively high inflows, as at present no EU-15 member is wholly covered by Objective 1. If applicable, the support is limited to the amount which is calculated in the Status quo EU-15 scenario.

3.4 Overall scenarios and financing

The partial scenarios for agricultural and structural politics are then put together to form overall scenarios: "status quo" for the EU-15 as well as "status quo", "moderate reform" and "substantial reform" for an EU-25 and an EU-27. An additional overall scenario results from the combination of substantial agricultural reform and moderate structural policy reform ("medium reform"). This is done because the political ability to put through the substantial agricultural reform scenario seems to be more likely then in the case of structural policy.

It is assumed that the extent to which member states are responsible for financing this expenditure is reflected by their share of EU GDP. This is already almost the case today.[21] When the flows countries receive are compared with their contributions to the budget the net contributor balance for member states in the different scenarios and reference years results. In the case of moderate agricultural policy reform, this net balance also shows the burdening of member states through the national cofinancing of direct income support payments for farmers.

4 Empirical evidence

Table 1 displays the main results from the scenario calculations for the EU budget – which is meant here to consist of agricultural and structural policy only. In all of the scenarios, the budget drops between 2007 and 2013, in some cases drastically. With unchanged policies this is partly because direct payments made by the CAP are constant in nominal terms (thus they are decreasing if measured in prices of 1999) and partly because the phasing out payments made by the structural funds to former assisted regions in the EU-15 run out until 2013. Even gradually introducing new members to the full level of support from structural policy cannot fully compensate this effect. In the reform scenarios, changes in direct payments and the suggested concentration of structural funds also contribute to reducing the EU budget.

As a share in EU GDP, expenditure is lower than the value that Agenda 2000 used for the year 2006 with 21 EU members (somewhat under one per cent) in all scenarios and reference years. A sinking share of the EU budget in GDP is not so surprising, if one considers the continuing convergence of EU economies. The need for structural policy is therefore reduced (not

[21] A discussion of a fundamental reform of the way the EU budget is financed following enlargement is not deemed appropriate in this study. It must be discussed separately (EU tax). It would however be more sensible to simplify contributions to make their relationship to the distribution of GDP clearer. Britain’s rebate is not taken into account as the scenarios aim to identify possibly existing inequalities in the net burden. Such inequalities might then be used to justify a rebate.

only relatively, but also absolutely) and, owing to institutional rules, expenditure in the agricultural sector grows at a slower rate than the EU GDP.

The relatively low budget estimates in the status quo scenarios for an enlarged EU are also strongly based on the fact that the repercussions of enlargement on payments made to the EU-15 are taken into account. Graph 1 shows the changes in the population level for regions covered by Objective 1 for the most important current receiving countries (Spain, Italy, Germany, Portugal, Greece). The results have to be treated with caution for two reasons. First, it is essentially very difficult to measure regional per capita GDP (above all in PPP); a recent change in the method used by Eurostat led for example to pronounced shifts for Portugal (and Belgium) between 1998 and 1999. Second, currently available values for 1999 were extrapolated using standard values for the convergence process in market economies until 2002 to better capture the effect of normal EU internal convergence. Differing trends in individual cases are, of course, possible.

In total, about 25% of regions covered by Objective 1 (measured using population size) would loose their support status even without enlargement taking place. If ten new members join, a further 30 % of these regions would be affected, and only 25% would retain their Objective 1 status with twelve new members. If the qualification criteria are eased - an increase of the threshold for qualification under Objective 1 from 75 to 80% in the EU-27 - 50% of the present regions covered by Objective 1 would retain their financial support. The statistical effect affects Portugal the least, and Germany the most; although several German regions are only just outside the qualification threshold. Spain and Greece would loose such support for relatively a lot of regions anyway as a part of the normal convergence process, so this development is independent from the enlargement process. Italy would be particularly negatively affected, if Bulgaria and Romania were also to join the EU in 2007.

A more detailed picture of the absolute receipts and the net contributor balance for each of the member states in the different scenarios is shown in tables A.1 to A.5 in the appendix. Germany and - a marked distance behind – the United Kingdom are by far the biggest (absolute) net contributors. Italy is likewise strongly affected in the EU-27 status quo scenario. France has to make relatively high payments in the moderate reform scenarios. In these scenarios a national cofinancing of direct income support payments is assumed for agriculture, and these are incorporated into the net burden of the individual members states.

The EU budget in the EU-15 status quo scenario amounts to €60 bn in the year 2013, with 10 new members it rises to €77 bn and with 12 to €81.5 bn. In the reform scenarios, the budget is markedly reduced, though the extent to which this occurs depends upon the intensity of the corresponding reform. In the EU-27 scenario with moderate reform of structural and agricultural policy the budget amounts to €68.5 bn. This is however linked to an additional burden of a good €15 bn on member states owing to the cofinancing of direct payments. Of this about €4.5 bn is paid by new members, and just over €3 bn by France. If a substantial reform in the agricultural sector is implemented (but the structural policy is still only reformed moderately), the EU budget sinks to €63 bn. This would be reduced by a good €3.5 bn, if structural policy was concentrated on the poorest member states (and not on the poorest regions).

The influence of the differing levels of reform on the net transfer to the new members is comparatively slight (graphs 2 and 3). This (gross) transfer amounts to €23 bn in an EU-25 in 2013 (with contributions varying between around €2.5 bn to just over €4 bn in the various scenarios). The transfers under status quo are somewhat higher, as new members benefit more from the CAP. Bulgaria and Romania are entitled to a further net sum of between just over €6 bn and a good €8 bn. Taking the absorption capacity for structural policy payments into account has a considerable influence on the restriction of transfers to the new members. Net transfers from West to East would be equivalent to the net burden faced by the four "big" EU members (Germany, the UK, France, Italy).

Net per capita contributions are the best indicator for assessing how the burden of financing the EU budget is split (table 2 and graphs 4 and 5). According to this measure, Germany remains the biggest contributor after Luxembourg. Inequalities in how the burden is split – assessed according to the relationship between per capita GDP and per capita payments – cannot be avoided as long as a substantial agricultural policy is continued.

The status quo should not be considered to be a viable option. This is due to the implications of fully introducing direct payments to new member states' farmers and those of the statistical effect in structural policy. In an EU-25 or an EU-27, the present EU big four and Spain have an interest in medium reform at least. They all profit from substantial agricultural reform which is included in this scenario (for moderate reform, the net burden shown in the graphs and tables also includes the burden for the national cofinancing of income support). According to these results, it will be markedly harder for these five states to agree on additional substantial reform in structural policy. This level of reform would be (although only weakly) positive for Germany, the UK and France, whilst Italy and Spain – according to their net per capita balance in 2013 – would prefer a moderate to a substantial reform of structural policy.

The remaining EU-15 members would be overwhelmingly positively affected, whilst the candidate countries would mostly be indifferent.

The approach presented here to the development of scenarios for the EU budget in an enlargement differs from how the theme is treated by other studies[22], because we attempt to both take into account the relatively detailed institutional rules for expenditure policy and combine the essential budget lines to overall scenarios. Differences in the approaches - that cannot be discussed in detail here – are partly caused by the motivation of the investigation. Here, the most important issues were how the budget would develop under certain reform proposals (or without any reform at all) and then how – measured by the net contributor balance - the ability to put through the reforms is judged. When a cost forecast is instead attempted, the assumptions on future behaviour become decisive. Pessimistic assumptions postulate at least unchanged structural funds in the present EU-15 (even though such a constant position is incompatible with the current allocation rules, which can only be changed with unanimous agreement). Some studies research econometric explanations for the present allocation of funds, in which the influence of voting powers in the Council of Ministers is particularly emphasised, and extrapolate the results for an enlarged EU. One of the problems such studies face is that the size of the sample used to explain political decisions is very small because the mid term budget planing in the EU means that the budget allocation is decided for all members together and only once every six to seven years. On the other hand, differences in the results are also sometimes due to the differing methodologies used. This relates to the structural policy issues of whether the "normal" convergence process in the EU-15 is taken into account, whether the absorption capacity of the receivers is measured in GDP in market prices or in PPP, how the depth of support in Objective 1 is determined and how the expenditure labelled "Other" is modelled.

5 Conclusion

Enlarging the EU to include the 12 candidates, with whom accession negotiations are being held at present, could be financed without overstepping the current upper limit for the EU budget. Enlargement would increase the pressure for EU policy reform, which is in any case long overdue. The main aim of such reforms is to reduce income support in agricultural policy and to concentrate structural policy on needy member states. The reforms suggested here

[22] For alternative overall scenarios see Hall/Quaisser (2002) and Baldwin et al (1997). A comparative analysis of cost estimations for structural policy can be found in Axt (2002), individual studies are also offered by IBO (2001), Schrumpf/Budde (2001) and Kämpfe/Stephan (2001).

would lead to a distribution of net burdens which was more strongly orientated according to the relative income of EU members. The burden for net contributors would remain under control, financial support for needy member states in the present EU would continue and new members would receive equal treatment from expenditure-related programmes.

Sacrificing further reform would be fiscally questionable, especially as considerable funds will in future be needed to finance the EU's new tasks and responsibilities (foreign policy, defence, aid for third countries [CIS states, Turkey, Mediterranean basin] etc.). Moreover it remains hard to justify the inequality found in the net contributor balance for individual member states and doubtful policy measures are maintained. The more members the EU has, the more important it will become for EU policies to be transparent and efficient. If there are no sensible and comprehensible rules for how the burden of financing the budget should be split, then compensation package deals will increase along with the number of members and the subsidisation mind set will continue to dominate the EU. This would endanger the general acceptance of European integration.

The EU's new members will not, according to these scenario calculations, become a motor for further reform. In addition, under the institutional rules found in the Treaty of Nice it will be more difficult to achieve operational majorities in an enlarged EU. It would thus be contra productive to put off preparations for further reform until after the first phase of enlargement. Rather the EU-15 should agree amongst themselves on the guiding principles for the desired reforms and then take the first steps as soon as possible. Opposition from Spain and Italy to substantial reform is to be expected, after looking at the net per capita contributions. The remaining EU-15 members would be positively affected or – like most new members – indifferent. It is essential that candidates should be included in the search for consensus even before enlargement takes place. The existing need for reform does not give any grounds for holding up the accession process.

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Table 1

EU Budget according to Expenditure Categories in various Scenarios, 2007 and 2013, in Euro (millions)

		Agricultural Policy	of which:			Structural Policy							Total	
						Total	of which: New Members			EU-15				
			Market	Direct	2nd Pillar			Obj. 1	Other	Phasing Obj. 1	Out Other	Cohesion Fund	in Mill. Euro	in % of GDP
2007														
EU-15	Status Quo	42.025	14.096	23.590	4.339	29.615		15.015	7.066	3.507	1.650	2.377	71.640	0,77
EU-25	Status Quo	51.940	15.989	29.481	6.470	33.366	11.058	8.247	3.881	6.369	2.997	814	85.306	0,88
	Moderate Reform	37.199	15.989	14.740	6.470	28.112	11.058	8.247	916	6.369	708	814	65.311	0,67
	Medium Reform	44.877	16.140	22.267	6.470	28.112	11.058	8.247	916	6.369	708	814	72.989	0,75
	Substantial Reform	44.877	16.140	22.267	6.470	27.136	11.170	5.465	607	8.905	989		72.013	0,74
EU-27	Status Quo	57.554	16.701	33.265	7.588	31.366	11.793	4.818	2.267	7.938	3.736	814	88.920	0,91
	Moderate Reform	40.922	16.701	16.633	7.588	27.828	11.793	8.412	935	5.287	587	814	68.750	0,70
	Medium Reform	48.573	16.825	24.160	7.588	27.828	11.793	8.412	935	5.287	587	814	76.401	0,78
	Substantial Reform	48.573	16.825	24.160	7.588	26.979	11.966	5.329	592	8.183	909		75.552	0,77
2013														
EU-15	Status Quo	38.345	12.894	21.112	4.339	22.355		13.585	6.393			2.377	60.700	0,58
EU-25	Status Quo	46.740	13.895	26.375	6.470	30.217	18.429	7.462	3.511			814	76.957	0,70
	Moderate Reform	33.553	13.895	13.188	6.470	27.534	18.429	7.462	829			814	61.087	0,56
	Medium Reform	28.951	14.006	8.475	6.470	27.534	18.429	7.462	829			814	56.485	0,51
	Substantial Reform	28.951	14.006	8.475	6.470	24.095	18.601	4.944	549				53.046	0,48
EU-27	Status Quo	52.044	14.224	30.232	7.588	29.533	22.309	4.359	2.051			814	81.577	0,73
	Moderate Reform	36.928	14.224	15.116	7.588	31.579	22.309	7.610	846			814	68.507	0,62
	Medium Reform	31.354	14.306	9.460	7.588	31.579	22.309	7.610	846			814	62.933	0,57
	Substantial Reform	31.354	14.306	9.460	7.588	27.939	22.581	4.822	536				59.293	0,53

Sources: Weise et al. (2002); DIW Berlin.

Table 2

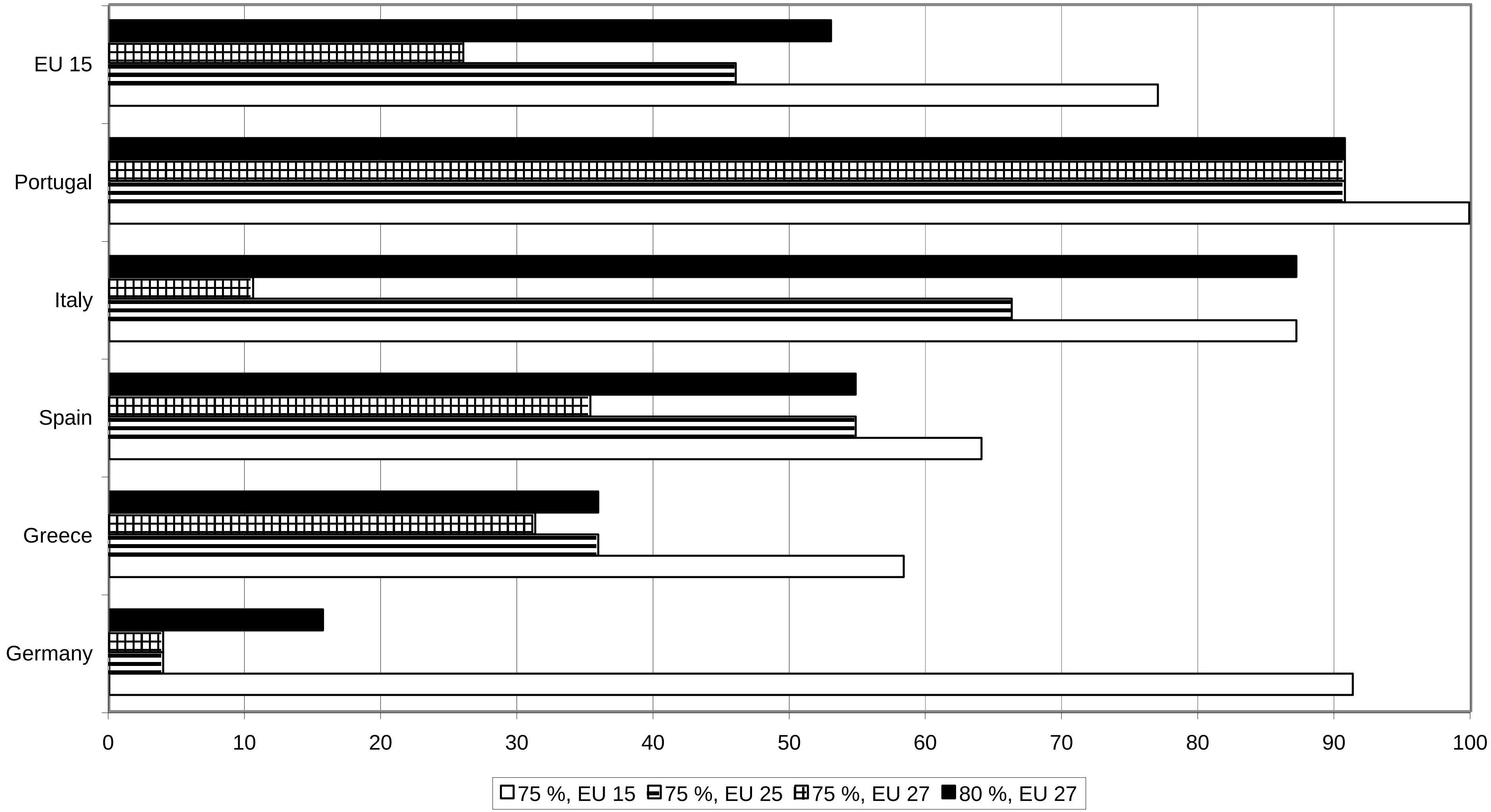
Net Payments per capita in various Scenarios, 2013, in Euro

	memo item: Population in 1000	GDP per capita, 2002 EU 27 = 100	**EU-15** Status quo	**EU-25** Status quo	Moderate Reform[1]	Medium Reform	Substantial Reform	**EU-27** Status quo	Moderate Reform[1]	Medium Reform	Substantial Reform
Luxembourg	458	207	-174	-242	-236	-194	-179	-263	-266	-220	-204
Denmark	5.320	137	8	-57	-136	-74	-62	-75	-161	-95	-82
Netherlands	15.857	131	-57	-94	-96	-66	-57	-109	-114	-82	-73
Ireland	4.140	128	329	298	97	187	195	288	81	174	182
Austria	8.194	128	-19	-72	-94	-61	-52	-88	-113	-78	-68
Belgium	10.128	123	-44	-109	-109	-82	-73	-122	-128	-98	-88
Germany	81.384	122	-73	-143	-151	-120	-111	-157	-168	-134	-128
Italy	54.723	119	-11	-71	-75	-51	-78	-113	-85	-60	-92
Finland	5.233	117	-2	-50	-77	-42	-34	-66	-95	-58	-49
Sweden	9.027	117	-79	-127	-144	-110	-101	-142	-163	-127	-117
UK	60.003	116	-71	-124	-136	-109	-102	-139	-154	-124	-117
France	62.154	115	4	-42	-103	-60	-56	-58	-120	-76	-71
Cyprus	862	99		-64	-45	-39	-35	-68	-53	-46	-42
Spain	38.214	96	159	64	32	55	-11	25	16	41	-21
Portugal	9.752	87	227	175	160	176	217	161	144	162	210
Greece	10.252	81	307	212	186	205	338	189	173	193	319
Slovenia	1.913	81		-6	-23	-8	193	-11	-31	-15	186
Czech Republic	10.003	70		334	278	301	285	321	262	287	281
Malta	416	66		265	280	284	241	252	264	269	236
Hungary	9.481	60		413	326	352	354	410	321	347	350
Slovak Republic	5.470	58		250	200	218	220	247	196	215	217
Poland	39.249	47		308	255	273	275	306	250	270	272
Estonia	1.266	45		309	257	285	288	307	252	282	284
Lithuania	3.552	40		347	218	270	272	345	215	267	269
Latvia	2.144	36		313	214	254	255	311	210	251	253
Bulgaria	7.531	34						261	199	215	216
Romania	21.255	29						303	151	193	194

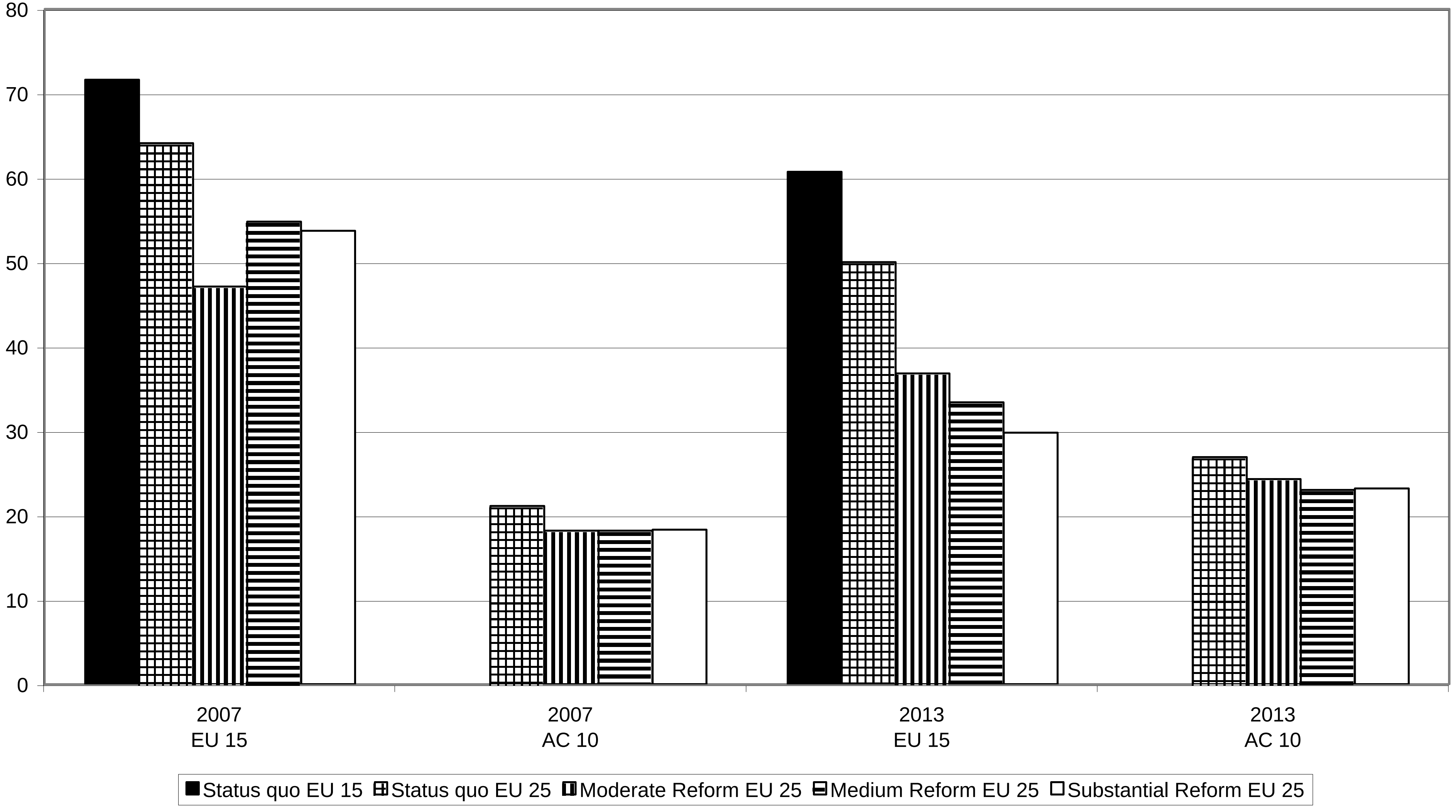
1) includes expenditure on the national co-financing of direct payments supporting agricultural incomes.

Source: DIW Berlin.

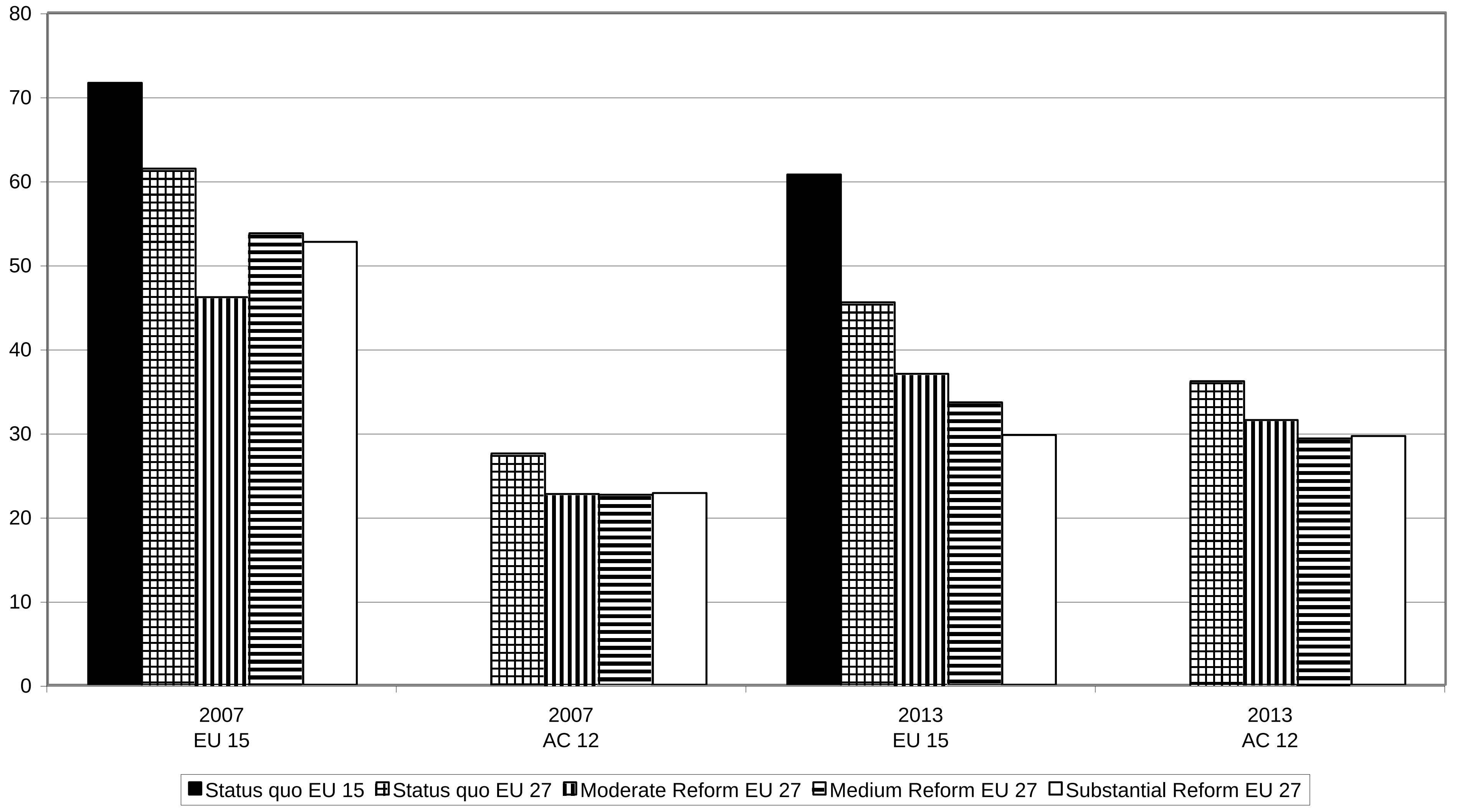
Graph 1: Objective 1 Population post 2007, alternative criteria
- in % of current Obj. 1 population -



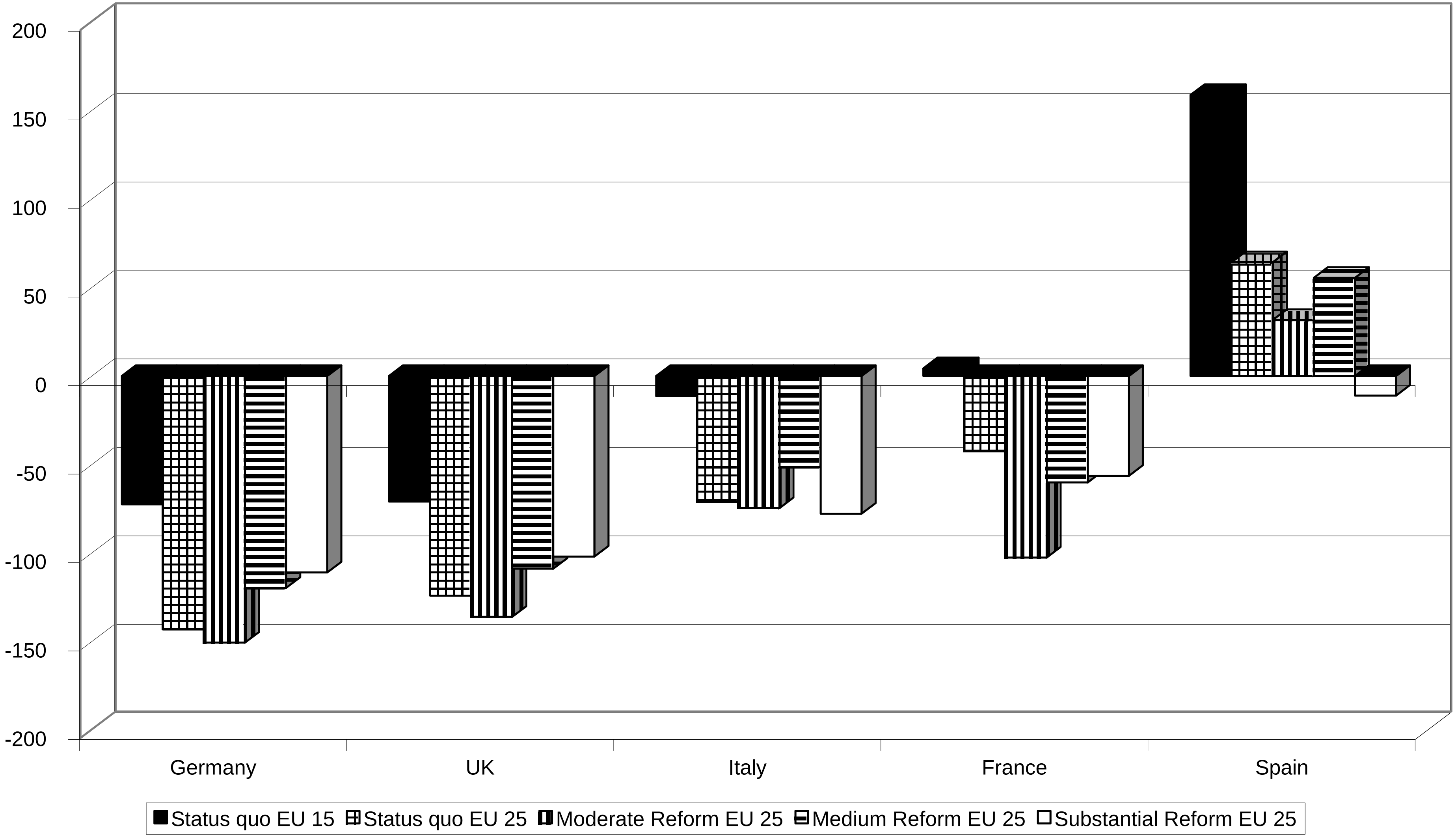
Graph 2: EU-15 and EU-25 Budget, various Scenarios, 2007/2013, bn Euro



Graph 3: EU-15 and EU-27 Budget, various Scenarios, 2007/2013, bn Euro



Graph 4: Net payments per capita, EU-25, various Scenarios, 2013, Euro



Graph 5: Net payments per capita, EU-27, various Scenarios, 2013, Euro

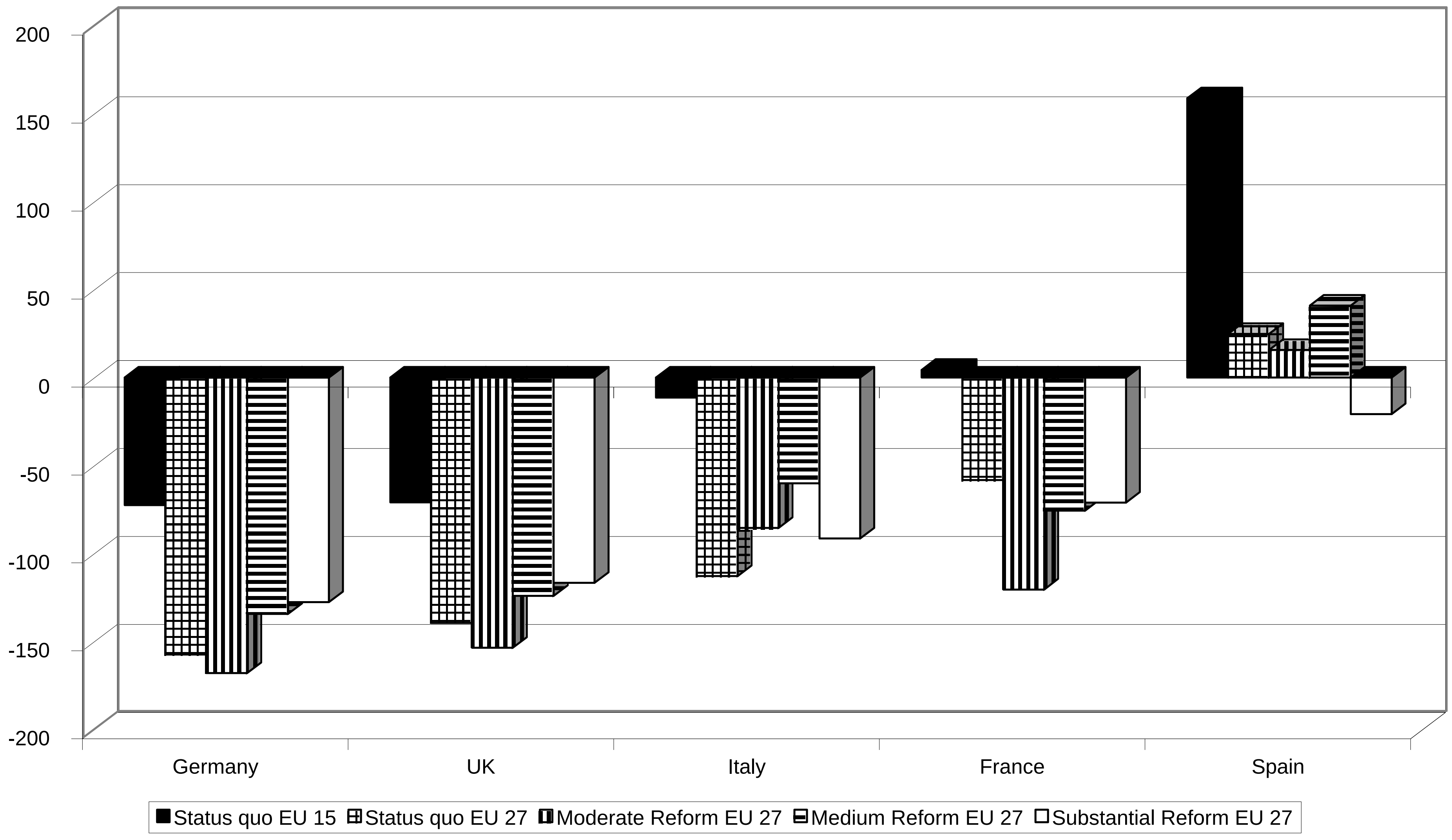


Table A.1
EU-Budget according to Member States, EU-15 Status quo, 2007 and 2013, in Euro (millions)

	Status quo EU-15, 2007			Status quo EU-15, 2013		
	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments
Belgium	1.060	452	-597	969	373	-446
Denmark	1.247	125	-92	1.189	91	41
Germany	6.737	4.078	-7.305	6.161	3.285	-5.907
Greece	2.003	3.379	4.358	1.772	2.241	3.146
Spain	4.798	8.110	8.003	4.301	5.920	6.066
France	9.773	2.144	-316	9.001	1.634	270
Ireland	2.122	146	1.552	1.950	18	1.363
Italy	4.522	4.811	-698	4.036	3.841	-621
Luxembourg	46	13	-96	42	10	-80
Netherlands	1.625	476	-1.196	1.538	349	-906
Austria	1.217	284	-276	1.136	217	-153
Portugal	835	2.449	2.364	758	2.235	2.213
Finland	828	335	80	775	130	-12
Sweden	893	286	-820	815	162	-717
UK	4.320	2.529	-4.960	3.901	1.848	-4.256
EU-15	42.025	29.615	0	38.345	22.355	0

Sources: Weise et al. (2002); DIW Berlin.

Table A.2

EU-Budget according to Member States, EU-25 in various Scenarios, 2007, in Mill. Euro

	Status quo EU-25			Moderate Reform EU-25			Medium Reform EU-25			Substantial Reform EU-25		
	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments[1]	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments
Belgium	1.051	167	-1.180	833	40	-1.182	997	40	-1.016	997	40	-988
Denmark	1.219	98	-346	834	23	-803	1.093	23	-307	1.093	23	-288
Germany	6.694	2.785	-11.127	4.486	1.895	-11.604	5.982	1.895	-9.754	5.982	1.877	-9.537
Greece	2.003	2.920	3.759	1.758	2.842	3.463	1.894	2.842	3.740	1.894	3.016	3.927
Spain	4.790	5.586	4.798	3.700	4.955	3.295	4.351	4.955	4.533	4.351	4.042	3.684
France	9.642	1.707	-2.562	6.419	631	-6.823	8.429	631	-2.843	8.429	545	-2.769
Ireland	2.097	117	1.401	1.549	102	481	1.907	102	1.313	1.907	102	1.323
Italy	4.485	3.733	-3.188	3.392	3.050	-3.384	4.105	3.050	-2.605	4.105	2.514	-3.010
Luxembourg	46	10	-120	31	2	-115	42	2	-106	42	2	-104
Netherlands	1.728	376	-1.646	1.405	89	-1.701	1.688	89	-1.431	1.688	90	-1.387
Austria	1.209	215	-598	942	72	-800	1.114	72	-543	1.114	73	-519
Portugal	828	2.202	1.984	651	2.141	1.814	769	2.141	2.015	769	2.449	2.335
Finland	824	274	-133	651	167	-298	775	167	-111	775	167	-97
Sweden	884	230	-1.160	603	97	-1.321	799	97	-1.049	799	97	-1.023
UK	4.307	1.887	-7.235	2.788	948	-8.063	3.758	948	-6.783	3.758	929	-6.650
Czech Republic	992	1.943	2.292	588	1.943	1.634	606	1.943	1.999	606	1.831	1.894
Hungary	1.780	1.698	2.931	1.248	1.698	1.996	1.212	1.698	2.442	1.212	1.698	2.448
Poland	5.603	5.616	9.404	4.168	5.616	6.959	4.103	5.616	8.165	4.103	5.616	8.186
Slovak Republic	445	768	969	257	768	649	257	768	816	257	768	819
Slovenia	57	82	-57	15	82	-95	12	82	-74	12	309	155
Estonia	163	192	294	117	192	216	132	192	272	132	192	273
Latvia	373	246	540	265	246	343	291	246	470	291	246	471
Lithuania	718	414	1.000	500	414	594	561	414	863	561	414	864
Cyprus	0	14	-73	0	14	-53	0	14	-60	0	23	-50
Malta	0	84	51	0	84	59	0	84	56	0	73	45
EU-15	41.809	22.309	-17.351	30.043	17.054	-27.042	37.704	17.054	-14.948	37.704	15.966	-15.104
EU-25	51.941	33.366	0	37.201	28.112	-14.741	44.879	28.112	0	44.879	27.136	0
AC-10	10.132	11.058	17.351	7.157	11.058	12.301	7.175	11.058	14.948	7.175	11.170	15.104

1) includes expenditure on the national co-financing of direct payments supporting agricultural incomes.

Sources: Weise et al. (2002); DIW Berlin.

Table A.3

EU-Budget according to Member States, EU-25 in various Scenarios, 2013, in Mill. Euro

	Status quo EU-25			Moderate Reform EU-25			Medium Reform EU-25			Substantial Reform EU-25		
	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments[1]	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments
Belgium	966	85	-1.100	773	20	-1.108	731	20	-828	731	14	-738
Denmark	1.140	50	-303	794	12	-724	691	12	-393	691	8	-330
Germany	6.156	671	-11.655	4.177	217	-12.256	3.605	217	-9.743	3.605	96	-9.039
Greece	1.771	1.450	2.176	1.550	1.410	1.910	1.458	1.410	2.101	1.458	2.728	3.466
Spain	4.302	3.156	2.455	3.324	2.834	1.209	2.955	2.834	2.117	2.955	68	-426
France	8.862	989	-2.626	5.974	440	-6.379	4.977	440	-3.741	4.977	116	-3.508
Ireland	1.952	10	1.232	1.465	2	401	1.307	2	774	1.307	2	806
Italy	4.020	2.323	-3.888	3.040	1.974	-4.086	2.718	1.974	-2.817	2.718	73	-4.260
Luxembourg	42	5	-111	29	1	-108	26	1	-89	26	1	-82
Netherlands	1.681	192	-1.490	1.394	45	-1.516	1.377	45	-1.046	1.377	31	-911
Austria	1.125	95	-593	886	22	-770	809	22	-500	809	15	-426
Portugal	754	1.896	1.711	596	1.865	1.557	545	1.865	1.721	545	2.216	2.114
Finland	768	72	-264	613	17	-401	573	17	-220	573	12	-176
Sweden	805	89	-1.145	553	21	-1.296	483	21	-993	483	14	-908
UK	3.897	703	-7.444	2.534	224	-8.165	2.079	224	-6.537	2.079	101	-6.122
Czech Republic	750	3.239	3.339	402	3.239	2.776	251	3.239	3.012	251	3.052	2.855
Hungary	1.641	2.830	3.911	1.175	2.830	3.094	917	2.830	3.336	917	2.830	3.361
Poland	4.575	9.360	12.089	3.335	9.360	9.989	2.713	9.360	10.717	2.713	9.360	10.800
Slovak Republic	341	1.280	1.366	178	1.280	1.093	101	1.280	1.194	101	1.280	1.206
Slovenia	34	137	-12	-1	137	-44	-18	137	-16	-18	515	370
Estonia	135	320	391	95	320	325	88	320	361	88	320	364
Latvia	345	410	671	230	410	458	195	410	544	195	410	547
Lithuania	681	690	1.232	438	690	775	372	690	959	372	690	966
Cyprus	0	23	-55	0	23	-39	0	23	-34	0	23	-31
Malta	0	140	110	0	140	117	0	140	118	0	121	100
EU-15	38.239	11.787	-23.042	27.702	9.105	-31.732	24.333	9.105	-20.193	24.333	5.494	-20.539
EU-25	46.741	30.217	0	33.554	27.534	-13.188	28.951	27.534	0	28.951	24.095	0
AC-10	8.502	18.429	23.042	5.852	18.429	18.545	4.618	18.429	20.193	4.618	18.601	20.539

1) includes expenditure on the national co-financing of direct payments supporting agricultural incomes.

Sources: Weise et al. (2002); DIW Berlin.

Table A.4

EU-Budget according to Member States, EU-27 in various Scenarios, 2007, in Mill. Euro

	Status quo EU-27			Moderate Reform EU-27			Medium Reform EU-27			Substantial Reform EU-27		
	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments[1]	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments
Belgium	1.051	146	-1.281	833	37	-1.265	997	37	-1.096	997	38	-1.072
Denmark	1.219	86	-415	834	22	-860	1.093	22	-363	1.093	22	-346
Germany	6.694	2.463	-12.140	4.486	1.754	-12.435	5.982	1.754	-10.563	5.982	1.691	-10.423
Greece	2.003	2.764	3.564	1.758	2.739	3.321	1.894	2.739	3.599	1.894	2.880	3.752
Spain	4.790	4.888	3.913	3.700	4.647	2.801	4.351	4.647	4.045	4.351	3.812	3.265
France	9.642	1.473	-3.263	6.419	579	-7.341	8.429	579	-3.346	8.429	507	-3.280
Ireland	2.097	103	1.359	1.549	90	441	1.907	90	1.275	1.907	90	1.283
Italy	4.485	2.927	-4.376	3.392	2.854	-3.961	4.105	2.854	-3.170	4.105	2.277	-3.635
Luxembourg	46	9	-127	31	2	-122	42	2	-112	42	2	-110
Netherlands	1.728	328	-1.819	1.405	83	-1.832	1.688	83	-1.558	1.688	84	-1.520
Austria	1.209	187	-692	942	66	-874	1.114	66	-615	1.114	67	-594
Portugal	828	2.103	1.850	651	2.051	1.689	769	2.051	1.891	769	2.449	2.299
Finland	824	244	-204	651	152	-354	775	152	-165	775	153	-153
Sweden	884	202	-1.263	603	89	-1.404	799	89	-1.130	799	90	-1.107
UK	4.307	1.650	-7.922	2.788	869	-8.592	3.758	869	-7.298	3.758	853	-7.181
Czech Republic	992	1.885	2.213	588	1.885	1.555	606	1.885	1.920	606	1.831	1.873
Hungary	1.780	1.698	2.913	1.248	1.698	1.977	1.212	1.698	2.424	1.212	1.698	2.429
Poland	5.603	5.616	9.343	4.168	5.616	6.898	4.103	5.616	8.107	4.103	5.616	8.124
Slovak Republic	445	768	961	257	768	641	257	768	808	257	768	810
Slovenia	57	82	-64	15	82	-102	12	82	-80	12	309	148
Estonia	163	192	292	117	192	214	132	192	270	132	192	271
Latvia	373	246	538	265	246	340	291	246	467	291	246	468
Lithuania	718	414	996	500	414	590	561	414	858	561	414	860
Cyprus	0	14	-76	0	14	-56	0	14	-63	0	23	-53
Malta	0	82	47	0	82	55	0	82	52	0	73	43
Bulgaria	1.372	184	1.382	1.080	184	838	1.056	184	1.091	1.056	184	1.093
Romania	4.241	612	4.274	2.641	612	1.205	2.638	612	2.752	2.638	612	2.758
EU-15	41.809	19.573	-22.818	30.043	16.035	-30.788	37.704	16.035	-18.606	37.704	15.013	-18.824
EU-25	51.941	30.570	-5.656	37.201	27.032	-18.675	44.879	27.032	-3.843	44.879	26.183	-3.850
EU-27	57.554	31.366	0	40.922	27.828	-16.633	48.573	27.828	0	48.573	26.979	0
AC-10	10.132	10.997	17.162	7.157	10.997	12.113	7.175	10.997	14.763	7.175	11.170	14.974
AC-12	15.745	11.793	22.818	10.878	11.793	14.155	10.869	11.793	18.606	10.869	11.966	18.824

1) includes expenditure on the national co-financing of direct payments supporting agricultural incomes.

Sources: Weise et al. (2002); DIW Berlin.

Table A.5

EU-Budget according to Member States, EU-27 in various Scenarios, 2013, in Mill. Euro

	Status quo EU-27			Moderate Reform EU-27			Medium Reform EU-27			Substantial Reform EU-27		
	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments[1]	Agriculture	Structural	Net payments	Agriculture	Structural	Net payments
Belgium	966	50	-1.240	773	21	-1.294	731	21	-989	731	13	-896
Denmark	1.140	29	-396	794	12	-854	691	12	-504	691	8	-439
Germany	6.156	414	-12.813	4.177	407	-13.673	3.605	407	-10.942	3.605	93	-10.390
Greece	1.771	1.263	1.939	1.550	1.366	1.775	1.458	1.366	1.979	1.458	2.606	3.268
Spain	4.302	1.894	949	3.324	2.658	598	2.955	2.658	1.565	2.955	66	-793
France	8.862	604	-3.619	5.974	415	-7.489	4.977	415	-4.703	4.977	113	-4.421
Ireland	1.952	6	1.192	1.465	2	337	1.307	2	719	1.307	2	753
Italy	4.020	529	-6.180	3.040	2.272	-4.677	2.718	2.272	-3.287	2.718	72	-5.009
Luxembourg	42	3	-121	29	1	-122	26	1	-101	26	1	-94
Netherlands	1.681	112	-1.734	1.394	46	-1.808	1.377	46	-1.298	1.377	30	-1.157
Austria	1.125	56	-721	886	23	-927	809	23	-635	809	15	-558
Portugal	754	1.803	1.573	596	1.789	1.400	545	1.789	1.575	545	2.216	2.045
Finland	768	42	-348	613	17	-497	573	17	-303	573	11	-257
Sweden	805	52	-1.281	553	21	-1.473	483	21	-1.145	483	14	-1.057
UK	3.897	366	-8.368	2.534	219	-9.218	2.079	219	-7.446	2.079	98	-7.003
Czech Republic	750	3.142	3.210	402	3.142	2.623	251	3.142	2.867	251	3.052	2.807
Hungary	1.641	2.830	3.884	1.175	2.830	3.045	917	2.830	3.294	917	2.830	3.320
Poland	4.575	9.360	11.999	3.335	9.360	9.829	2.713	9.360	10.579	2.713	9.360	10.665
Slovak Republic	341	1.280	1.354	178	1.280	1.070	101	1.280	1.175	101	1.280	1.187
Slovenia	34	137	-21	-1	137	-60	-18	137	-29	-18	515	357
Estonia	135	320	388	95	320	319	88	320	357	88	320	360
Latvia	345	410	667	230	410	451	195	410	537	195	410	541
Lithuania	681	690	1.225	438	690	763	372	690	949	372	690	956
Cyprus	0	23	-59	0	23	-45	0	23	-40	0	23	-36
Malta	0	136	105	0	136	110	0	136	112	0	121	98
Bulgaria	1.250	920	1.969	997	920	1.495	854	920	1.620	854	920	1.629
Romania	4.054	3.060	6.449	2.378	3.060	3.205	1.548	3.060	4.096	1.548	3.060	4.125
EU-15	38.239	7.224	-31.170	27.702	9.270	-37.922	24.333	9.270	-25.516	24.333	5.357	-26.009
EU-25	46.741	25.553	-8.418	33.554	27.599	-19.816	28.951	27.599	-5.715	28.951	23.959	-5.754
EU-27	52.045	29.533	0	36.929	31.579	-15.116	31.354	31.579	0	31.354	27.939	0
AC-10	8.502	18.329	22.752	5.852	18.329	18.106	4.618	18.329	19.800	4.618	18.601	20.255
AC-12	13.805	22.309	31.170	9.227	22.309	22.806	7.021	22.309	25.516	7.021	22.581	26.009

1) includes expenditure on the national co-financing of direct payments supporting agricultural incomes.

Sources: Weise et al. (2002); DIW Berlin.